

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

UIL 4945.04-04

LEGEND

V = Name
W = Name
X = Name
Y = Programs
Z = Names

b dollars=Amount
c = Quantity
d = Quantity
e = Quantity

Dear

We have considered your request for advance approval of your employer-related grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated September 23, 2011.

Our records indicate that you were recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate a grant-making program called Y for the dependent children of employees of Z. Z consists of e companies owned directly or indirectly by your founder X, as well as V and W. V and W also each have private foundations that have employer related scholarship programs for Z's employees. Applicants may apply for scholarship grants from you, V Foundation, and W Foundation; however, they can only receive an award from one of the foundations. V foundation and W foundation were formed at a different time, have separate boards and separate selection committees from you.

The purpose of Y is to assist students who show promise to receive an education of their choice. The grants are for all costs of attendance and will be up to b dollars per year, made on a semester-by-semester basis for up to 8 semesters; in the future, you may increase the maximum dollar amount for rising costs. The number of grants you will award will be limited to 25% or fewer of the eligible applicants, who were actually considered by the selection committee in selecting recipients of grants in that year as provided by Revenue Procedures 76-47 and 80-39.

You will publicize Y by written announcements to employees of Z. If an applicant has been chosen to receive a grant from V Foundation or W Foundation, they will not be selected to receive a grant from you.

The grants will not be used as a means of inducement to recruit employees nor will a grant be terminated if the employee leaves the employer. The recipient will not be restricted in a course of study that would be of particular benefit to the relevant employer or to the foundation.

The terms of the grant and the course of study for which grants are available will meet the requirements of Section 117 of the Code and the regulations there under. The grants will be consistent with the disinterested purpose of enabling the recipients to obtain an education in their individual capacities solely for their personal benefit and will not include any other commitments, understandings, or obligations, conditional or unconditional, suggesting that the studies are undertaken for the benefit of you or the employers, or have as their objective the accomplishment of any purpose of you or the employers other than enabling the recipients to obtain an education in their individual capacities and solely for their personal benefit.

Eligible applicants are dependent children of employees of Z, whose parents are active employees with a minimum of one-year continuous service as of the grant application filing date. Dependent children include children, stepchildren, legally adopted children, or children under the legal guardianship of the employee.

The applicant must have demonstrated academic motivation and ability. Moreover, the applicant must be enrolled full time in an accredited institution working towards a degree or diploma, or meet the minimum standards for admission to and have applied to an accredited tuition charging institution in order to pursue a degree.

All applicants must complete an application and provide:

- Proof of dependency
- Evidence of enrollment at an accredited school, college, or university.
- Certified transcripts/grades from the education institution reflecting the number of credit hours and academic standing.

Higher education applicants must include evidence of full time status (12 hours per semester) while students at the high school senior level and below must provide proof they are registered as full-time students and taking sufficient classes to advance to the next grade. Applications for the fall semester awards must be completed by early summer while applications for spring semester awards must be completed by early winter.

A selection committee consisting wholly of individuals independent (except for their participation on the committee) and separate from you, your organizer and Z will select grant recipients. The current committee members have demonstrated expertise in academic affairs.

In the event there are vacancies on the selection committee, the remaining selection committee members shall nominate for approval by your board one or more persons possessing the qualifications to fill such vacancy. Individuals eligible include persons knowledgeable in the education field by reason of background, professional training, advance degree, and otherwise. Your members and your board, shareholders of the employers and their board and employees or former employees of either you or the employers are ineligible for membership on the selection committee.

The selection committee will choose the grant recipients based solely upon the substantial objective standards that are completely unrelated to the employment of the recipient's parents and to Z's lines of business. The standards are limited to prior academic performance and demonstrated progress toward attainment of a degree or diploma.

The committee will grant awards with first preference to full time (12 hours) undergraduate students enrolled at an accredited college or university based on academic grade point averages. If additional grants are available, the selection committee will consider full time students pursuing post-graduate studies (also based upon GPA scores) and then full time students beginning in Grade 12 descending to Kindergarten. These awards will also be based on grade point averages.

The grants will be awarded solely in the order recommended by the selection committee. The number of grants awarded may be reduced but may not be increased from the number recommended by the selection committee. Only the committee may vary the dollar amount of grants.

A letter to the recipient will confirm the award of each grant within two months of the deadline date. The letter will also contain in writing the terms and conditions of the grant and the deadlines for submitting materials in support of and to continue the grant.

Grants will not be terminated because the recipient's parent terminates employment with Z after the awarding of the grant regardless of the reason for such termination of employment. The recipient will not be considered ineligible for a renewal simply because the parent is no longer employed by Z.

Grants will be awarded for one semester, and the recipient must reapply for an additional grant to continue studies for the subsequent semester. Certified transcripts from the education institution must be provided reflecting the number of credit hours and academic standing. Before a grant for the next semester is awarded, the recipient must submit transcripts/grades showing successful completion of the required course hours for the current semester with at least a 2.5 grade point average and provide proof of enrollment for the coming semester with at least 12 hours at the start of each semester.

Grant checks are made payable jointly to the student and the school; the funds will be credited to the student's account for tuition, fees, books, and other expenses.

Continuing college students will be placed on probation if they do not complete the prior minimum twelve hours semester's courses or achieve the minimum GPA. Students will not be eligible for subsequent semester's funding until such time as he or she completes the twelve semester hours and achieves the minimum GPA.

High school senior level and below students will be placed on probation which will result in a suspension of funding if they fail to successfully complete sufficient courses to advance to the next grade or failure to maintain at least a 2.5 grade point average.

You also have several procedures in place in the event the recipient withdraws, leaves the program, or drops out. First, many of the schools have policies of refunding you the tuition grant if the student drops out or is no longer attending the school. Second, in the event the student withdraws from the school and cannot provide the transcript, the student is declared ineligible for future grants until he or she successfully completes at his or her own expense sufficient courses to advance toward a degree or diploma with a minimal grade point average.

In the event a misuse of award funds is discovered, the student is declared ineligible for future grants until he or she successfully completes at his or her own expense sufficient courses to advance toward a degree or diploma with at least a minimal grade point average. Until the student purges his ineligibility, future grants will not be provided.

You agree to maintain records to include the following:

- (i) Information used to evaluate the qualifications of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to the private foundation);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering the private foundation's grant program.
- (v) Records sufficient to demonstrate that the percentage tests of the Revenue Procedure 76-47 have been satisfied.

You indicated that you will meet the percentage test in Revenue Procedure 76-47 whether the awards of the three foundations are aggregated or not. You estimate the number of children of employees for purposes of the 25 percent test who (i) are eligible, (ii) will apply for grants, and (iii) will be considered by the selection committee in selecting grant recipients (but excluding renewals of grants awarded in prior years) is c. The potential pool of candidates would exceed this number, but you wish to use the 25 percent test. There are approximately d employees of the companies covered under the employment-related student scholarship program. Out of the e companies covered under the program, X has a direct ownership interest in only one of the e companies. You indicate that the amount of new awards (not renewals) will be less than the 25% of c. You also provided data from the past academic period showing that this test was passed whether the three foundations are aggregated or not.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or

- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Revenue Procedure 76-47, 1976-2 C.B. 670, sets forth guidelines to be used in determining whether a grant made by a private foundation under an employer-related program to a child of an employee of the particular employer to which the program relates is a scholarship grant that meets the provisions of section 117(a) of the Code (as that section read before the Tax Reform Act of 1986). If a private foundation's program satisfies the seven conditions set forth in Sections 4.01 through 4.07 of Rev. Proc. 76-47 and meets the percentage test described in Section 4.08, the Service will assume the grants meet the provisions of section 117(a), as that section read before the Tax Reform Act of 1986.

You have agreed that procedures in awarding grants under your program will be in compliance with Sections 4.01 through 4.07 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). In particular, the selection of individual grant recipients will be made by a selection committee the members of which are totally independent and separate from the private foundation, the foundation's creator, and the relevant employer. The grants will not be used as a means of inducement to recruit employees nor will a grant be terminated if the employee leaves the employer. The recipient will not be restricted in a course of study that would be of particular benefit to the relevant employer or to the foundation.

Section 4.08 of Rev. Proc 76-47 provides a percentage test guideline. It states in the case of a program that awards grants to children of employees of a particular employee, the program meets the percentage test if either of the following tests are met: the number of grants awarded under that program in any year to such children do not exceed 25 percent of the number of employees' children who were eligible, were applicants for such grants, and were considered by the selection committee in selecting the recipients of grants in that year, or the number of grants awarded under the program in any year to such children does not exceed 10 percent of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year.

You have agreed that your program will meet the requirements of either the 25 percent or 10 percent percentage test of Section 4.08 applicable to a program that awards grants to children of employees of a particular employer. Records should be maintained to show that you meet the applicable percentage test of Section 4.08.

This determination is issued with the understanding that in applying the 10 percent test applicable to employees' children set forth in Rev. Proc. 76-47, you will include as eligible only those children who meet the eligibility standards described in Rev. Proc. 85-51, 1985-2 C.B. 717.

This determination will remain in effect as long as the procedures in awarding grants under your program remain in compliance with Sections 4.01 through 4.08 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). If you enter into any other program covering the same individuals, the percentage test of Rev. Proc. 76-47 must be met in the aggregate.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g)(1) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your employer-related grant-making program is a one-time approval. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations